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# RENEWING THE UNITED NATIONS: A PROGRAMME FOR REFORM

## Report of the Secretary-General

## Addendum

## Establishment of the post of Deputy Secretary-General

97-30183 (E) 051197

1. In his report of 14 July 1997 entitled "Renewing the United Nations: a programme for reform" (A/51/950), the Secretary-General indicated that he would recommend to the General Assembly that the post of Deputy Secretary-General be established. In explaining why he planned to make the proposal, the Secretary-General pointed out that while the multiplicity of the roles performed by him was a major source of strength of the Office, it also limited the attention which any Secretary-General could devote to providing sustained intellectual and organizational leadership. It was also pointed out that while the very breadth of the substantive programmes of the United Nations was a great source of its potential institutional strength, the Organization was not always able to take advantage of those strengths.

2. Under the Charter of the United Nations, the Secretary-General is the chief administrative officer of the Organization. In that capacity, all senior officials in the Organization who head departments, offices, programmes, funds or other entities report directly to him. As a result, some 30 senior officials now report directly to the Secretary-General. While the establishment of Executive Committees facilitates substantive coordination among the senior officials, each continues to be administratively responsible to the Secretary-General. The span of reporting entailed by having this large number of officials reporting to the Secretary-General does not allow for the maintenance of adequate and systematic managerial oversight and supervision. The Secretary-General, therefore, requires the support of a Deputy who would assist him in the exercise of his managerial functions.

3. The nature of the responsibilities of the post of Secretary-General makes it necessary for the Secretary-General to be away from Headquarters on a regular basis. The Secretary-General must attend an array of intergovernmental and regional meetings, visit United Nations offices and missions away from Headquarters and respond to invitations from Member States to undertake official visits. Although the Secretary-General remains in close touch with Headquarters during his absence, the presence of a Deputy to act on his behalf would ensure the maintenance of the smooth and efficient functioning of the Secretariat.

4. In order to introduce a new leadership and management structure within the Secretariat, the Secretary-General has established a Senior Management Group and Executive Committees in the areas of peace and security, economic and social affairs, development cooperation and humanitarian affairs. The Executive Committees are already functioning and have begun to make a contribution to facilitating more concerted and coordinated management of the work of the Organization. There are a number of issues and concerns which cut across the work of all Executive Committees. It is important to ensure, in this context, that the economic and social roots of conflict are taken into account in the work of the Organization in the field of peace and security; that, in addressing complex emergencies, the conditions that permit the resumption of economic and social development are given special attention and are actively promoted; and that the analytical work of the Organization, guided by the Executive Committee on Economic and Social Affairs, and its development operations, under the aegis of the Executive Committee of the United Nations Development Group, are mutually supporting and lead to enhancing the overall impact of the Organization on development. The Deputy Secretary-General would have a special responsibility in taking the lead in harmonizing the actions of the Organization on such





issues. The Deputy Secretary-General would also work closely with the Secretary-General to elevate the profile and leadership of the United Nations in the economic and social spheres, including further efforts to strengthen the United Nations as a leading centre for development policy and development assistance.

5. In summary, the Deputy Secretary-General would have the following responsibilities: (a) to assist the Secretary-General in leading and managing the operations of the Secretariat; (b) to act for the Secretary-General at United Nations Headquarters in the absence of the Secretary-General and in other cases as may be decided by the Secretary-General; (c) to support the Secretary-General in ensuring intersectoral and inter-institutional coherence of activities and programmes that cross functional sectors; (d) to assist the Secretary-General in his efforts to heighten public awareness and increase contact with the representatives of Member States; (e) to represent the Secretary-General at conferences, official functions, ceremonial and other occasions as may be decided by the Secretary-General; and (f) to undertake such special assignments as may be determined from time to time by the Secretary-General. Initially, the Deputy Secretary-General would also be assigned the task of overseeing, on behalf of the Secretary-General, the continuing United Nations reform effort, particularly in the light of the fact that the work of the Office of the Executive Coordinator for United Nations Reform will come to an end on 31 December 1997. The Deputy Secretary-General would also be responsible for the establishment of the Office for Development Financing, and thereafter would oversee its activities.

6. In his report of 11 September 1997 (A/52/303), the Secretary-General outlined the programmatic and financial consequences of the actions and recommendations relating to the work of the Secretariat deriving from his letter to the President of the General Assembly dated 17 March 1997 (A/51/829) and his report on "Renewing the United Nations: a programme for reform" (A/51/950). It is indicated in the former report that the Deputy Secretary-General would be a staff member appointed by the Secretary-General for a period not to exceed his own term of office. In terms of remuneration, it is proposed that the salary of the Deputy be set at the mid-point between that of the Secretary-General and that of the Administrator of the United Nations Development Programme. With respect to representation allowance, it is proposed that it be set at $15,000 per year.

7. The immediate office of the Deputy Secretary-General would consist of one Director (D-2), one P-5, one personal assistant and two secretaries in the General Service category. Of these posts, one P-5 and one General Service post would be met from redeployment and the establishment of one D-2 and two General Service posts would be required. In the exercise of his/her functions, the Deputy would also draw on the staff resources available in the Executive Office of the Secretary-General.

8. In carrying out his/her responsibilities, the Deputy Secretary-General would derive his/her authority by delegation from the Secretary-General. It would not be necessary, therefore, for the Deputy to be elected, appointed or confirmed by the General Assembly. The Secretary-General proposes that the term of office of the Deputy would coincide with that of the Secretary-General, who

would make the appointment and who could also terminate it earlier if he so decided. The status of the Deputy Secretary-General would be second only to the Secretary-General and senior to all other programme managers. The Deputy Secretary-General would have no independent authority to report to the General Assembly, the Security Council or other legislative bodies.

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# RENEWING THE UNITED NATIONS: A PROGRAMME FOR REFORM

## Report of the Secretary-General

## Addendum

## Rationalization of the subsidiary machinery of the Economic and Social Council

97-30198 (E) 051197

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1. The present note provides background information on the recommendations relating to paragraph 135 of the report of the Secretary-General entitled "Renewing the United Nations: a programme for reform" (A/51/950), concerning the consolidation of certain of the subsidiary bodies of the Economic and Social Council.

## A. Consolidation of the work and functions of the Committee on New and Renewable Sources of Energy and Energy for Development and the Committee on Natural Resources into the Commission on Sustainable Development

2. The terms of reference of the Committee on New and Renewable Sources of Energy and Energy for Development, in addition to the implementation of the Nairobi Programme of Action (adopted in 1981), include consideration of the relation between energy on the one hand, and environment and development and relevant sections of Agenda 21 on the other. There is increasing recognition that the question of energy requires more attention in the context of sustainable development. The long-term sustainability of patterns of production and consumption, the need for sustainable energy policies, development of technologies for the economically efficient and environmentally sound use of energy and climate change considerations are issues which require international attention in the context of sustainable development. Since many of these issues fall within the general competence of the Committee, it could become an expert body reporting to the Economic and Social Council through the Commission on Sustainable Development, with which it would then have much closer linkages. The expert body would continue its consideration of other issues as required by the Nairobi Programme of Action and as reaffirmed by the Economic and Social Council in its resolution 1992/62 of 31 July 1992, including its system-wide monitoring role in the field of new and renewable sources of energy. At the same time, closer coordination would be required with the United Nations Environment Programme on the question of sustainability and environmental considerations (see subprogramme 10.2 of the medium-term plan for the period 1998-2001[1]) as well as with the regional commissions which have work programmes in this area.

3. The Committee on Natural Resources meets in two sessions, dealing in one session with water resources and in the other with mineral resources. The work of the Committee in respect of water resources should be seen in the light of the mandate of the United Nations Environment Programme[2] and the future agenda of the Commission on Sustainable Development beginning at its sixth session,[3] wherein Governments call for a dialogue under the aegis of the Commission aimed at building a consensus on the necessary actions, and in particular on the means of implementation and on tangible results, in order to consider initiating a strategic approach for the implementation of all aspects of the sustainable use of fresh water for social and economic purposes. The proposal to consolidate the activities of the Committee on Natural Resources on this issue with the Commission on Sustainable Development should therefore be viewed against this background. At the Secretariat level, consolidation has taken place in the context of the organization of the new Department of Economic and Social Affairs. At the inter-agency level, the Administrative Committee on Coordination Subcommittee on Water Resources, acting as a task manager, reports

to the Inter-Agency Committee on Sustainable Development, which in turn makes the task managers' reports available as background documents to the Commission on Sustainable Development.

4. On the question of mineral resources, the regional commissions have developed substantive capacities in this area.[4] Advisory services were decentralized to the regional commissions for this purpose. The main thrust of activities in this area, including in the context of subprogramme 8.2, is related to the sustainability of production and consumption patterns as well as environmentally sound production practices. These questions could be addressed by the Commission on Sustainable Development should the Commission decide that the question of mineral resources should be included in its future agenda. Regional commissions could be requested to provide inputs in the context of their work programmes indicated above, including on questions of sustainability of production and consumption patterns. The United Nations Conference on Trade and Development (UNCTAD) could provide inputs with regard to mineral resources from the perspective of the developmental implications, including commodity trade and commodity dependence.

5. The recommendation with regard to the consolidation of the work of the above committees with the Commission on Sustainable Development could be considered in the following form:

(a) The Committee on New and Renewable Sources of Energy and Energy for Development could become an expert advisory body reporting to the Economic and Social Council through the Commission on Sustainable Development;

(b) The work of the Committee on Natural Resources having to do with water resources could be absorbed by the Commission on Sustainable Development, on the understanding that the Commission could set up an expert body to deal with the full range of water-related issues falling within the mandate of the former Committee and its own agenda;

(c) The work on mineral resources could be undertaken by a group of experts on this matter reporting to the Economic and Social Council through the Commission on Sustainable Development.

### B. The Commission on Science and Technology for Development to become a subsidiary body of the UNCTAD Trade and Development Board with the UNCTAD secretariat continuing to provide the substantive servicing secretariat of the Commission

6. The Commission on Science and Technology for Development at present reports to the Economic and Social Council. The servicing secretariat was consolidated in the UNCTAD secretariat in accordance with General Assembly resolution 47/212 B of 6 May 1993. The fundamental rationale for consolidating the work on technology in UNCTAD was that the nexus between trade, investment, technology and services and their financial underpinnings was increasingly recognized in a variety of policy initiatives both nationally and internationally, including by the General Assembly, which reiterated that UNCTAD was the most appropriate

focal point within the United Nations for the integrated treatment of key issues including trade, finance, investment, services and technology. In the context of the Uruguay Round of multilateral trade negotiations, services, technology and investment were seen a "single undertaking". At the ninth session of UNCTAD, the Conference invited the Economic and Social Council and the General Assembly to consider the relationship between the Centre for Science and Technology for Development and UNCTAD, taking account of the particular responsibilities of UNCTAD in this field, including its programme of work.

7. The interface between the Commission and the UNCTAD secretariat, its substantive servicing secretariat, needs to be enhanced. UNCTAD has through the years acquired considerable capacity in questions related to the transfer and development of technology. The issue of science and technology is a major area of concern as it is increasingly one of the important factors determining the competitiveness of countries and firms. In order to ensure the integrated treatment of science and technology with other sectors, the Trade and Development Board could oversee the work of the Commission. In line with the mandate of the Commission, it would be understood that it would remain available to serve the system as a whole on matters of a general interest related to science and technology.

8. In order to enhance further the capacity of the Commission to discharge its mandate effectively, its expertise would need to be built around a well-organized and focused programme of work dealing with issues of relevance to the international community. Its programme of work could be of two-year cycles and its members chosen in accordance with their expertise in the areas identified in the programme of work. Substantive servicing by the UNCTAD secretariat and a high level of expertise in the membership of the Commission would obviate the need for the Commission to engage consultants.

9. The election of members of the Commission could be undertaken by the Trade and Development Board. The Board would also consider and approve the programme of work and the dates and venues of the Commission's meetings as well as of its inter-sessional meetings. The UNCTAD secretariat would ensure the substantive servicing of the Commission. Requests for the provision of expert advice could be received from the subsidiary machinery of the Economic and Social Council or from the rest of the system through the Council. The Bureau of the Trade and Development Board would finalize the Commission's agenda for the given biennium in consultation with the Bureau of the Economic and Social Council.

### C. Consolidation of the functions of the Commission on Crime Prevention and Criminal Justice and the Commission on Narcotic Drugs into a single Commission. The International Narcotics Control Board would report to the new Commission

10. The recommendation to consolidate the functions of the Commission on Crime Prevention and Criminal Justice and the Commission on Narcotic Drugs into a single Commission is predicated on the need to identify the common elements that link various aspects of organized crime and to develop comprehensive policies which can be conducive to combating these phenomena more effectively at both the

national and the international levels. This is particularly relevant in the context of the relationship between the work of the Subcommission on Illicit Drug Traffic and Related Matters in the Near and Middle East and the regional meetings of the operational heads of national drug law enforcement agencies for Asia and the Pacific, for Africa, for Latin America and the Caribbean, with subprogramme 12.1 (para. 12.3 (c)) related to crime prevention and criminal justice. The latter places emphasis on the implementation of the Naples Political Declaration and Global Action Plan against Organized Transnational Crime, taking into account the growing dangers of links between organized transnational crime, terrorist crimes and drug trafficking. There are undoubtedly many elements in both work programmes which do not lend themselves to such consolidation. Such elements are particularly germane to the individual issue areas, such as the questions related to the criminal justice system, the treatment of offenders, crop substitution, drug abuse prevention and drug control. Such areas of work would require separate treatment, entailing different sets of expertise which can be organized around expert bodies as they are currently constituted. Furthermore, technical assistance activities in all areas need to be substantially enhanced.[5]

## D. The Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting to be maintained as an expert body reporting through the UNCTAD Commission on Investment, Technology and Related Financial Issues

11. The Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting previously reported to the Economic and Social Council through the Commission on Transnational Corporations. This programme was transferred to UNCTAD in 1993 along with the Centre on Transnational Corporations. The General Assembly, in its resolution 49/130 of 19 December 1994, decided that the Commission on Transnational Corporations should become a commission of the Trade and Development Board and be renamed the Commission on International Investment and Transnational Corporations. In the same resolution the General Assembly decided "that the Commission will keep under review the work of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting" (para. 5).

12. At the ninth session of UNCTAD, former subsidiary bodies of the Trade and Development Board were abolished and three new commissions were established. Among them was the Commission on Investment, Technology and Related Financial Matters. A decision was also made to convene no more than 10 expert groups per year. Questions have now been raised as to the current status of the Intergovernmental Working Group of Experts in the context of UNCTAD. The Economic and Social Council, at its organizational session of 1997 elected the membership of the Intergovernmental Working Group through 1999. Taking this into account and in view of the fact that no formal decision has been taken with regard to a change of status of the Intergovernmental Working Group, either by the Council or by the General Assembly, it can be assumed that the Council continues to consider it as one of its expert bodies. In the light of the above, a formal decision by the Council on the status of the Intergovernmental

Working Group would help to clarify the ambiguity presently surrounding that body. As many delegations find its work to be highly useful, the recommendation is to maintain the Intergovernmental Working Group as a body reporting through the UNCTAD Commission on Investment, Technology and Related Financial Issues. It would be for the Trade and Development Board, however, to determine whether its meetings should be included within the statutory limit of 10 expert group meetings per year as defined by the ninth session of UNCTAD,[6] or in addition thereto.

### E. The work of the Ad Hoc Group of Experts in International Tax Matters to be reviewed after the completion of its present mandate

13. The Economic and Social Council, in its resolution 1273 (XLIII) of 4 August 1967, requested the Secretary-General to set up a group of experts to explore ways and means for facilitating tax treaties between developed and developing countries. A group of experts was set up for this purpose and in 1980 finalized the United Nations Model Double Taxation Convention between Developed and Developing Countries. Subsequently the Ad Hoc Group of Experts on Cooperation in Tax Matters was established by the Council in 1980 to examine the question of international tax evasion and avoidance "with a view to working out, as soon as possible, proposals for international cooperation to combat such [tax] evasion and avoidance".[7] The Group consists of 20 tax experts from 10 developed and 15 developing countries, nominated by Governments but acting in their personal capacities. The Group generally meets biennially. The Council may wish to review the future of the Group upon completion of its current mandate.

### F. The Committee on Economic, Social and Cultural Rights to report to the Economic and Social Council through the Commission on Human Rights

14. The Economic and Social Council, in 1978, decided to set up a sessional working group on the implementation of the International Covenant on Economic, Social and Cultural Rights. Later, in 1985, the Council decided that the sessional working group would be renamed the Committee on Economic, Social and Cultural Rights. The Committee has 18 members who are experts with recognized competence in the field of human rights, serving in their personal capacities and selected from among parties to the Convention. It is recalled that the Commission on Human Rights has established a Working Group on the Right to Development to identify obstacles to the implementation and realization of the Declaration on the Right to Development.[8] In 1996, the Commission decided to establish an intergovernmental group of experts with a mandate to elaborate a strategy for the implementation of the Declaration in its integrated and multidimensional aspects. In the light of the close relationship between some of the issue areas in the context of the Covenant and work of the Group of Experts and in order to ensure that there is sufficient cross-fertilization and coordination between the work of the two bodies, both bodies would benefit if the report of the Committee on Economic, Social and Cultural Rights were submitted to the Council through the Commission on Human Rights.

## Notes

[1] Official Records of the General Assembly, Fifty-first Session, Supplement No. 6 (A/51/6/Rev.1).

[2] Ibid., programme 10, subprogramme 10.1, paras. 10.5-10.7.

[3] See A/S-19/29, para. 35.

[4] See subprogrammes 14.2, 14.5, 15.4, 17.7 and 18.1 of the medium-term plan for the period 1998-2001 (Official Records of the General Assembly, Fifty-first Session, Supplement No. 6 (A/51/6/Rev.1).

[5] Regarding changes at the secretariat level, see paras. 144 and 145 of the report of the Secretary-General (A/51/950).

[6] See A/51/308, annex, paras. 114 and 115.

[7] Economic and Social Council resolution 1980/13, para. 7.

[8] General Assembly resolution 41/128, annex.

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# RENEWING THE UNITED NATIONS: A PROGRAMME FOR REFORM

## Report of the Secretary-General

## Addendum

## Disarmament

97-30210 (E) 051197

1. In its resolution 37/99 K of 13 December 1982, the General Assembly, as a reflection of the central role and primary responsibility that Member States assigned to the United Nations in the field of disarmament, called for the establishment of a Department for Disarmament Affairs. Consistent with the legislative mandate emanating from that resolution and in the spirit of giving greater visibility to the Organization's mandate in this area, the Secretary-General, in his report entitled "Renewing the United Nations: a programme for reform" (A/51/950), indicated his intention to place the United Nations disarmament programme under a department to be headed by an Under-Secretary-General. This action, as suggested in the report, would effect a managerial reorganization of Secretariat capacities to respond to the priorities of Member States.

2. The end of the cold war has opened opportunities that should lead to more decisive international efforts in the field of disarmament. Weapons of mass destruction continue to be of primary importance despite significant progress achieved to outlaw chemical and biological weapons and to strengthen the nuclear non-proliferation regimes. Nuclear disarmament must therefore be pursued more vigorously, particularly by the nuclear-weapon States, with a view to the progressive reduction and complete elimination of nuclear weapons at the earliest possible date. At the same time, the international community has been increasingly concerned with the spread of conventional weapons, especially in relation to landmines and small arms which are used extensively in regional and subregional conflicts.

3. In this connection, it is noted that the programme budget for the biennium 1996-1997, as approved by the General Assembly, stated that efforts in the promotion of arms limitation and disarmament were focused "on weapons of mass destruction, particularly nuclear ones", but were becoming "increasingly concerned with the growth and proliferation of various types of conventional weapons".[1]

4. The proposed programme budget for the biennium 1998-1999 maintains this same approach. It states:

> "The main focus during the biennium 1998-1999 will be on weapons of mass destruction, notably nuclear weapons. Their systematic and progressive reduction, with the ultimate goal of complete elimination, remains a priority task of the international community. At the same time, the disturbingly high number of conflicts in various subregions of the world has called attention to the destabilizing effects and the destructive power of conventional arms, especially of the uncontrolled flow and accumulation of small arms. The need to curb their proliferation and to promote confidence-building measures, openness and transparency in all spheres of the military activities of States at the global, regional and subregional levels is increasingly recognized."[2]

5. In line with this statement, in the revised programme estimates submitted on 11 September 1997 (A/52/303) it is noted that the emergence of new dangers and actors has added fresh urgency to the tasks that the United Nations is called upon to play in the area of disarmament.

6. The establishment of the department takes fully into account current trends and developments and, in particular, Member States' expressed interest in finding ways to address them. It does not, however, detract from the main focus of the Organization's activities in the area of disarmament which, as currently mandated, will continue to be on weapons of mass destruction.

7. In this connection, it is recalled that in resolution 51/45 C of 10 December 1996, the General Assembly decided, subject to the emergence of a consensus on its objective and agenda, to convene its fourth special session devoted to disarmament in 1999. As indicated in the fifth preambular paragraph of the resolution, such a special session would "offer an opportunity to review, from a perspective more in tune with the current international situation, the most critical aspects of the process of disarmament". Furthermore, as stated in the eighth preambular paragraph, the special session could "set the future course of action in the field of disarmament, arms control and related security matters".

8. Should the General Assembly decide to convene the fourth special session, a priority task for the department would be to assist Member States, in every way possible, in the process leading to the convening of that session. Beyond the existing disarmament programme, the department will provide a structure capable of carrying out such emerging mandates as Member States may entrust to the Organization. Any adjustments from the current programme would only result from the successful conclusion of negotiations in the appropriate multilateral forums.

9. The Conference on Disarmament is the single global disarmament negotiating forum and has a unique relationship with the United Nations. The Secretary-General of the Conference also acts as the personal representative of the Secretary-General by whom he is appointed and to whom he reports directly on matters pertaining to the work of the Conference. Providing staff support to, and servicing of the Conference on Disarmament is one of the major functions of the existing Secretariat capacity in the field of disarmament in Geneva. Such capacity will be maintained at the present levels as an integral part of the new structure.

## Notes

[1] Official Records of the General Assembly, Fiftieth Session, Supplement No. 6 (A/50/6/Rev.1), para. 2.81.

[2] Ibid., Fifty-second Session, Supplement No. 6 (A/52/6/Rev.1), para. 2.121.

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# RENEWING THE UNITED NATIONS: A PROGRAMME FOR REFORM

## Report of the Secretary-General

## Revolving Credit Fund

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Introduction

1. The present paper elaborates the proposal of the Secretary-General for the establishment of a Revolving Credit Fund (see A/51/950 of 14 July 1997, paras. 220-222, and the related recommendations).

Background

2. The United Nations has experienced recurrent financial crises owing to a large and growing volume of arrears of payments. Notwithstanding the legal obligation of Member States to pay their assessed contributions in full, on time and without conditions and a major effort by many Member States to meet those obligations, the situation has continued to persist. As a result, the Organization's financial reserves have been depleted and the Secretary-General has been obliged to borrow from peacekeeping accounts to meet regular budget requirements. This method of financing, which may well not be available in future, as the level of peacekeeping activity and assessments declines, has meant serious delays in reimbursing Member States for troop and equipment costs. The resulting precarious financial situation of the Organization also diverts attention from its substantive work and undermines efforts at reform. Only a real commitment by Member States to meet their obligations fully will overcome the financial problems of the Organization and, in his report, the Secretary-General has challenged Member States to put forward ideas to encourage Member States to pay their dues on time and to restore the financial solvency of the Organization.

Proposal for establishment of the Revolving Credit Fund

3. In the absence of adequate capital and reserves, the Secretary-General has indicated that it is essential to find immediate practical measures to complement the ongoing search for a more fundamental solution of the financial problems of the United Nations. In this context, he has proposed that a Revolving Credit Fund be established, initially capitalized at a level of up to $1 billion through voluntary contributions or any other means of financing that Member States may wish to suggest. Such a fund could be used by the Secretary-General to finance, on a recourse basis, any newly arising overdue assessment payments of Member States.

4. Establishment of the Fund would also involve a change in the financial arrangements set out in the Financial Regulations and Rules of the United Nations, requiring approval by the General Assembly.

Advances from the Revolving Credit Fund

5. The Financial Regulations provide that assessed contributions shall be due and payable in full within 30 days. Under the procedures proposed for the Revolving Credit Fund, the Secretary-General could, consistent with the purpose of the Fund, notify any Member State that certain assessments had fallen past due by 90 days and would ask the Member State to specify the future date of payment of the amount. This notification from the Secretariat and subsequent response from the Member State would be in such legal form as to allow the Secretary-General to pledge it as security for an advance from the Fund.

6. Upon receipt of a response from a Member State so notified, the Secretary-General could authorize, at such time and in such amount as he deemed appropriate, an advance from the Revolving Credit Fund up to the amount of the unpaid assessed contribution in question. It should be emphasized that such an advance would not constitute payment of the assessment in question and would not affect the application of Article 19 of the Charter of the United Nations to the Member State in question.

7. Upon receipt of the notified amount from the Member State concerned, the amount of the related advance would be returned to the Revolving Credit Fund. Consistent with the Financial Regulations, contributions received would still be applied against the oldest outstanding assessments in the Organization's accounts, although advances from the Fund would be repaid as soon as the notified contribution was received in the appropriate account.

8. The purpose of the Revolving Credit Fund would be to relieve cash flow pressures on the functioning of the United Nations. Accordingly, it is intended that the procedures outlined for the Fund would only be used in respect of outstanding amounts greater than $250,000.

Income of the Revolving Credit Fund

9. Any cash balances in the Revolving Credit Fund would be invested and the income and capital gains/losses added to the Fund. Initially, it is anticipated that such investment would be short-term only but, depending on the position of the Fund, the Secretary-General could authorize longer-term investments, consistent with the liquidity requirements of the Fund. In that event, he would seek the advice of the Investments Committee.

Authorized retained surpluses

10. Use of the Revolving Credit Fund for advances against unpaid assessed contributions of Member States would reduce the income to the Fund from the investment of cash balances. Member States, against whose unpaid contributions advances have been made from the Fund, would bear the opportunity cost of financing such advances from the Fund. This would be done first through adjustment of amounts owed to them by the Organization for prior year surpluses not yet reimbursed, up to the level of their share of such surpluses. Conversely, the surplus balances of Member States providing voluntary contributions to the Fund would be adjusted accordingly. The cost of financing advances in amounts exceeding the accumulated surpluses would however not be allowed without General Assembly agreement.

11. At 31 December 1995, authorized retained surpluses stood at just over $200 million, as follows:

| | Millions of United States dollars |
|---|---|
| General Fund | 68.4 |
| United Nations Disengagement Observer Force | 49.6 |
| United Nations Interim Force in Lebanon | 82.9 |

12. In order to simplify the mechanism for operating the Revolving Credit Fund, it is proposed that the authorized retained surpluses referred to above, as well as any others that the General Assembly may from time to time authorize, be consolidated in a new single retained surpluses account.

13. It is proposed that, consistent with current practice for the regular budget, the shares of Member States as regards authorized retained surpluses should be allocated by applying the current regular budget and peacekeeping scales to the currently retained surpluses. Should any surpluses be added to the retained surpluses account in future, these could be allocated between Member States, using relevant scales of assessment then in force.

14. Adjustments to the shares of Member States in the retained surpluses would be made annually. Negative adjustments would be made in the shares of Member States against whose arrears advances are made from the Revolving Credit Fund, up to the full amount of such shares. These would be based on the amount and period of advances from the Fund against unpaid assessed contributions of each Member State concerned and the rate of return available on cash balances in the Fund, that is, the opportunity cost of making such advances. Corresponding positive adjustments for Member States contributing to the Fund would be based on the amount of their contribution and the date on which it was available to the Fund.

## Conclusion

15. The Secretary-General advances this proposal as one approach to tackling the chronic financial problems that have plagued the United Nations. He reiterates, however, his challenge to Member States to suggest other measures to overcome these problems.

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## Report of the Secretary-General

## Creating a dividend for development

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Introduction

1. The present paper provides an elaboration of the Secretary-General's proposal for the establishment of a development account, as contained in paragraphs 57 to 58, and 234 to 235, actions 21 and 22 and related recommendation, in his report dated 14 July 1997 (A/51/950).

Proposal

2. The Secretary-General has stated that up to 38 per cent of regular budget resources is devoted to non-programme costs, defined as administrative and information costs. The aggregate amount of non-programme costs has been determined on an analytical basis. Such non-programme costs include full costs of direct administrative support and public information, as well as a proportion of executive direction and conference services devoted to administrative, budgetary and personnel matters. While a large proportion of these costs are in the central service departments, they are incurred across the entire Organization.

3. The Secretary-General is committed to reducing these non-programme costs under the regular budget by about one third and has proposed to turn savings in administrative costs into a "dividend for development". This goal is expected to be fully achieved in the biennium starting 1 January 2002 through enhancing effectiveness and implementing management reforms, without impacting mandated programmes.

Outline

4. The general increase in delivery expectations by Member States at a time of decreasing resources is a phenomenon faced, not only by the United Nations, but also in national Governments and private and public sector enterprises worldwide. The Secretary-General intends to respond to the situation as related to United Nations activities by increasing the outputs to Member States from the resources made available to him. Accordingly, he intends to reduce these non-programme costs, now reflected in various components of the budget, and reallocate the funds to visible and quantifiable outputs within economic and social activities. The Secretary-General, in the context of the biennial budget, would recommend to the General Assembly the level of resources to be allocated to the development account. This figure would be based on proposed reductions in non-programme costs and would be fixed for the ensuing biennium.

5. It is widely accepted that, to enhance outputs, bureaucratic structures must be streamlined and procedures must be simplified. In this regard, a number of initiatives and reviews are being undertaken which should lead to simplification of processes, procedures and rules; consolidation of common services wherever economical and feasible; and increases in the efficiency and effectiveness of programme delivery, through further enhancement of the information technology component of the system to create an electronic United Nations. To this end, programme managers are being asked to initiate and actively participate in the reduction of redundant administrative practices and will be empowered to act decisively in their areas of responsibility. Ideas for improvement are being sought from managers and staff alike and the resultant

benefits, once turned into savings, would be plowed back into development initiatives in the economic and social sectors. A one-time effort will, however, not be enough. The challenge is to institutionalize ways of:

- Delivering Member States' mandates more cost-effectively;
- Reducing administrative overhead;
- Translating the resultant savings into programme benefits.

6. The responsibility for delivering the "dividend for development" rests with individual managers throughout the Organization, who have already demonstrated their commitment to reducing costs, as well as a capacity for innovative thinking. Over 550 efficiency projects, under way or completed, combined with the completion of a number of simplifications of administrative processes, provide ample evidence of what can be achieved when individual managers are given the flexibility to improve the efficiency and effectiveness of their own departments and offices.

Delivering the dividend for development

7. Non-programme costs in the revised estimates for the 1998-1999 biennial budget are some $50 million less than included in the original 1996-1997 biennial budget. The Secretary-General proposes that, effective 1 January 1998, the Development Account be initially established at $12.7 million, as indicated in his report dated 11 September 1997 (A/52/303).

8. Within the Secretariat, the creation of the dividend for development requires a two-pronged approach by all departments and offices. First and foremost, targets will be established over the next two bienniums to decrease non-programme costs, and second, ongoing management reviews will be conducted, which will enhance the delivery of mandated programmes.

9. The Secretary-General is pursuing seven major managerial reform strategies which have significant potential for ensuring that the dividend for development will continue to grow, and which will also lead to a more efficiently and effectively managed Organization. Within that overall framework the responsibility for delivering the reductions to be converted into a dividend for development rests mainly with individual managers in the non-programme field. This does not preclude all managers from initiating projects which lead to increased effectiveness within their own departments. Furthermore, the efforts of individual departments are being supported and enhanced by Organization-wide reforms, to deal with global administrative issues, which individual departments cannot change on their own.

10. On their part, Member States will have an equally important role to play in the simplification and streamlining processes leading to savings, and their support of the Secretary-General's initiatives would be an essential ingredient to the overall success of this proposal.

Programme objectives

11. The overall programme direction for the Development Account would be agreed by the General Assembly, which would be provided a range of proposals and would be asked to select from among them those that should be funded from the Development Account. Programming of such resources will be focused on global, interregional and regional issues, on the premise that national development plans are addressed through other multilateral and bilateral programmes.

Programme direction and management

12. The Under-Secretary-General for Economic and Social Affairs will serve as the Programme Manager for the Development Account and will oversee its administration and implementation. In developing recommendations on behalf of the Secretary-General, he will receive inputs from the Executive Committees and the United Nations Development Group as appropriate, so that a coordinated and comprehensive set of proposals is submitted to the General Assembly at the time it is considering the proposed programme budget, using the following criteria:

- Projects would be distinctive and further the organizations' development goals;

- Projects would be finite, capable of completion within two bienniums;

- Projects will contain succinct objectives, measurable outcomes and clear performance indicators;

- Projects will complement, not substitute for existing programmes.

13. The Development Account will be administered and implemented in accordance with the Financial Regulations and Rules of the United Nations.

14. Once programmes and projects are approved by the General Assembly, the Controller will issue the relevant allotment(s) to the programme manager(s).

Performance reporting

15. The Secretary-General will submit an annual report to the General Assembly on a post facto basis on objectives and outputs achieved, containing analytical information on the projects funded.

Review and monitoring

16. In consultation with the Under-Secretary-General for Economic and Social Affairs, the Under-Secretary-General for Management will be responsible for the regular review, evaluation and monitoring of programme delivery, using performance and programme criteria set by the General Assembly, the results of which will be contained in the annual performance report.

Conclusion

17. The Secretary-General is confident that, with Member States' support, the measures outlined above will not only deliver a Dividend for Development that will contribute substantially to the United Nations economic and social development goals, but also result in a better managed Organization working in line with Member States' priorities.

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# RENEWING THE UNITED NATIONS: A PROGRAMME FOR REFORM

## Report of the Secretary-General

## Addendum

## Results-based budgeting

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# RESULTS-BASED BUDGETING

## Introduction

1. In paragraph 241 of his programme for reform (A/51/950), the Secretary-General recommended:

> "That the General Assembly review the existing arrangements governing the planning, programming and budgeting process in order to enhance their role in providing strategic direction, establishing better performance yardsticks and reporting and focusing more on accountability for performance than on input accounting - a shift to results-based budgeting."

2. The present note explains the basic concepts involved in results-based budgeting and how these ideas might be applied to the United Nations. In this connection, the Advisory Committee on Administrative and Budgetary Questions in its first report on the proposed programme budget for the biennium 1998-1999 indicated that the idea, "needs to be followed up with a detailed report that would include an explanation and justification of the proposed change, and of the new methodology to be used, as well as a mock-up of such a budget".[1] While recognizing that these technical needs should be fully met before implementing results-based budgeting, the present paper seeks only to provide a general overview of the topic to support policy discussion of the issue in the General Assembly. Should the Assembly decide to proceed further with the proposal, detailed technical papers would be produced for review by relevant expert and other bodies involved.

## What is results-based budgeting

3. The key identifying feature of results-based budgeting is that the emphasis is on the outputs to be produced (reports, studies, conferences, etc.) and consequent outcomes as opposed to input budgeting where the defining feature is an emphasis on the inputs (staff, materials, equipment, etc.). The orientation towards either outputs or inputs is important at all stages of the budget process (programming, budgeting, implementation, monitoring and evaluation). However, the most important determining factor here is the initial budget proposal stage as this sets the output pattern and framework for all subsequent stages.

4. The basic concept of results-based budgeting at the programme formulation stage may be illustrated by a simple example of public information publications. Within an input-budgeting framework the focus would be on budgeting and subsequently controlling the expenditure items such as the salaries and common staff costs, printing costs and other operating expenses. In results-based budgeting the focus would be to ensure that the booklets and publications meet the required qualitative and quantitative criteria in a timely manner within a pre-agreed budget. The financial management focus in results-based budgeting would thus be on controlling the overall (as opposed to individual) expenditures and on ensuring that outputs are delivered within the agreed budget.

5. The table below sets out the different budget control points of two frameworks:

| Expenditure item | | Thousands of United States dollars |
|---|---|---|
| Salaries and common staff costs | (a) | 5 300 |
| Editorial costs | (a) | 750 |
| Travel | (a) | 100 |
| Printing | (a) | 230 |
| Other operating expenses | (a) | 250 |
| Total | (b) | 6 630 |

- Under an input-budgeting regime all items marked (a) are budgeted and controlled.

- Under a results-based budgeting the same items marked (a) would be budgeted, but only item (b) is controlled.

In the case of results-based budgeting the programme manager can change the expenditures input mix to take advantage of relative price, technology or other changes as long as the output can be produced within the $6,630,000 budget. In the case of input budgeting the manager does not have the same freedom to manage the resources and would be bound by the initial budgeted mix.

6. When a programme is formulated in output terms the legislative focus on budgetary control can shift away from budgeting and controlling specific budget lines (inputs) to ensuring that the outputs (results) are delivered according to their performance dimensions (quantity, quality and timeliness) within the agreed overall price. Managers are thus not constrained by budget line items, but must deliver the agreed outputs within the overall budget authorization. Output monitoring and evaluation systems usually need to be strengthened to support this change of emphasis to results.

7. The programme managers' focus thus shifts from controlling inputs to determining and providing outputs, to monitoring and ensuring that the agreed outputs have actually been delivered. It is a shift from specification of inputs to specification of outputs and ex-post reporting on output delivery and use of inputs.

8. Results-based budgets thus focus more on results to be achieved, and less on how the money is to be spent within the overall allocation. They contain information on the cost, quantity and quality of outputs to be produced. For example, a results-based budget for a conference-servicing operation would contain data on how many meetings would be serviced, along with the cost per meeting, by type. While information would continue to be provided on the level of resources required to achieve those outputs (results), it is possible to focus on tangible results expected rather than on minute details on inputs (such as number and type of staff and other operating costs), required to achieve the outputs.

9. Results-based budgeting is premised on enhanced responsibility and accountability of programme managers for their activities and consequential delivery of results. It is essentially about giving managers control over inputs so that they can best manage the production of outputs required to support the desired outcomes. Budgetary resources are therefore approved on the basis of outputs or groups of similar outputs. To be an effective accountability mechanism these groups of outputs would need to meet the following criteria:

- The outputs in the group should be homogeneous.
- The performance dimensions (quality, quantity, timeliness and cost) associated with each group of outputs would provide information for executive decision-making and legislative scrutiny.
- The level of detail must be sufficient to make the relevant department or other supplier properly accountable for the activities.

Accountability

10. Results-based budgeting when carefully designed and implemented does not relax accountabilities. It moves the focus of accountability away from compliance with rules about the administration of inputs to one in which accountability is focused on producing the desired output and managers are held accountable for determining the optimal input mix within their budgets. It makes the programme manager responsible and accountable for his or her outputs and consequent outcomes, while making the task more interesting and challenging and allowing for innovation.

11. While results-based budgeting removes the requirement to manage within specific budget lines managers are accountable for their overall allotments which serve as an upper limit for the aggregate costs of outputs. Managers would have the flexibility over how they control and manage their budgets and the mix of inputs they use. But they would not have the ability to increase a given output cost above its prescribed budget limits. Thus while programme managers would have the responsibility to remain within their authorized allotments, they would also have full accountability for their planned outputs and related outcomes.

12. It should be noted that the requirement for detailed information on inputs would not be eliminated under the results-based budgeting system. Input data would continue to be collected and monitored, and would be produced when required for cost-benefit analysis or other purposes.

13. From a budgetary perspective, since outputs are quantifiable and price sensitive, it facilitates review and monitoring of budgetary changes and impact on the organization. Financial control shifts to financial analysis, allowing financial management to move from input review to impact assessment and evaluation of outputs.

14. Results-based budgeting focuses on value for money and cost-effectiveness. It facilitates comparison of the relative cost-effectiveness of different

outputs or groups of outputs across the organization. Moreover, it simplifies the use of baseline standards, particularly when identical outputs are being produced in different parts of the organization.

Introduction of results-based budgeting in the United Nations

15. Although the introduction of results-based budgeting has sometimes been hailed as a revolutionary step in some Governments it would be more in the nature of an evolutionary development in the United Nations. The use of pure input budgets was discontinued in the United Nations when programme budgeting replaced the former object of expenditure budgets in 1974. Up to that time budget sections had been defined in terms of the major objects of expenditure. Since 1974 budget sections have been largely defined in terms of programmes to be carried out by major organizational units and these programmes have been formulated within the framework of a medium-term plan that describes their components, their legislative basis and their objectives. Much work was undertaken to define outputs, to monitor these and to formalize in 1987 these arrangements within a set of detailed rules and regulations covering all aspects of the planning, programming, budgeting, monitoring and evaluation cycle.

16. The results have sometimes been disappointing perhaps because many rigidities of input budgeting formerly existing in the object of expenditure budgets were carried over in 1974 to the new programme budget structure at the individual section levels. The result is a somewhat mixed arrangement that is particularly constraining to programme managers as it combines the restrictive elements of both input and output budgeting without any significant discretionary flexibility. The relevant rules and regulations are now due for an overhaul as some elements require modification in the light of experience.

17. A shift to results-based budgeting would mean looking again at the way United Nations outputs have been budgeted and defined, the way they are provided for in dollar terms, and the way they are monitored and evaluated. Despite many years work defining outputs the present arrangements are somewhat wanting and provide little information as regards related outcomes. The amount and degree of detail to be provided by object of expenditure would also need to be assessed. Greater levels of detail may be required for formulation and scrutiny purposes than may be needed for implementation and control requirements.

18. While it is relatively easy to contemplate providing programme managers with discretionary authority to move funds between most non-post objects of expenditure there may be particular reasons for retaining current arrangements as regards the maintenance of staffing tables and fixed salary scales. In this regard it may be noted that practice varies between Governments that have adopted results-based budgeting. Although in some radical cases the practice of establishing fixed budgetary staffing tables has ceased in other more moderate cases it has been maintained. The issue in the case of the United Nations would have to be considered in the context of what arrangements would need to be in place from a human resource perspective to ensure the maintenance of geographical and gender distribution within the Secretariat.

19. The Secretary-General recognizes that a shift to results-based budgeting would have a number of implications across the Secretariat. To work effectively

it would require greater delegation of authority and responsibility to programme managers and thus a decentralized management structure. Programme managers would be required to produce least-cost outputs, in accordance with pre-approved performance dimensions. They would therefore be able to control the input "mix". This would require a change from the current centralized management of resources.

20. Since a key aspect of accountability for results is transparency of performance information, management information systems would need to be able to provide improved analytical tools for the monitoring and evaluation of outputs and outcomes. This would require establishment of well-defined information systems to support results-based performance reporting.

21. The creation of a results-based budgeting framework would represent a substantial shift away from input control to the management of resources for delivery of the required outputs. It would also require a shift in the management culture of the Organization as a whole.

22. The Secretary-General believes that this proposed change would provide Member States with increased transparency in the delivery of mandated outputs, using measurable performance indicators, as well as providing a sound basis for increase in efficiencies in their implementation.

23. Should a policy decision be agreed in principle by the General Assembly to introduce results-based budgeting the Secretary-General would need to be requested to report back to the Assembly through the Advisory Committee on Administrative and Budgetary Questions and the Committee for Programme and Coordination on any revisions that might be required and desirable under the relevant rules and regulations. In addition, any prospective changes in procedures or in the format of the programme budget would need to be presented for approval prior to their introduction.

## Notes

[1] Official Records of the General Assembly, Fifty-second Session, Supplement No. 7 (A/52/7), para. 30 (b).

ANNEX

## Definitions of terms

### Inputs

Resources (such as posts, supplies and materials, travel) that are used to produce goods and services. An example is the salary of a programme officer or an accounts clerk.

### Outputs

Goods and services (such as the number of staff recruited, reports issued, meetings serviced or computers purchased), which have been produced or purchased using the above inputs. Outputs need to be capable of being defined in terms of quantity, quality, timeliness and cost. An example is the management of conference services. Specific outputs in this function would include the provision of editorial and translation services, the printing of documents and the arranging of facilities.

### Outcomes

Impacts of an output or a group of outputs on the overall objectives which may be agreed by the legislative bodies, such as increased health education leading to improvement in the environment, and enhancement of global security through a peacemaking or peacekeeping operation.

### Results-based budgeting

Methodology and format for developing budgets that focus on outputs and outcomes, using predetermined criteria set by Member States.

### Results-based performance reporting

Format for reporting achievements to enable comparison between planned and actual outputs and outcomes, using performance indicators as a basis for measurement.

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